eastspring investments

A Prudential plc company

Monthly Investment Updates

June 2026

eastspring.com

Macro Overview

Growth

- Global Gross Domestic Product (GDP) forecasts for 2026 have been revised down from pre US-Iran war levels as higher energy costs, persistent inflation, and geopolitical tensions weigh on activity. The energy shock is driving greater bifurcation across the economies. The current economic cycle is driven by capital spending, benefiting the Artificial Intelligence (AI) hardware, power infrastructure, energy and defense sectors. Meanwhile higher energy prices and higher yields are hurting consumers and the housing sector. We now expect the US economy to grow 2.0% - 2.1% in 2026, supported by AI-related spending and the wealth effect.

- Asia continues to show relative resilience, led by technology and energy exporters such as Taiwan and South Korea, although dispersion within the region is rising. The Chinese economy is expected to grow by 4.6% to 4.7% in 2026 as the US-Iran war has increased demand for China's Electric Vehicles, alternative energy sources and batteries. Meanwhile, the Japanese economy is expected to grow 0.7% in 2026, supported by its strong AI hardware exports.

Inflation & Monetary policy

- Beyond oil, rising prices of refined products and fertilizers are likely to push up manufactured goods prices. This should feed into headline inflation in the coming months. Even if we get a peace deal in the near term, existing damage to supply chains points to a period of higher inflation. As such, the global monetary policy cycle is likely to shift from easing to tightening, even if the tightening bias is not expected to be as aggressive as in 2022.

- Given above target inflation and a resilient labour market, the Fed is expected to raise interest rates in 2026. These expectations have supported the US dollar and weighed on Asian currencies, particularly in economies with trade balances that are vulnerable to higher energy prices. We expect domestic currency weakness to lead central banks in Indonesia, India, Japan, Korea and Philippines to hike rates.

Asset class views

- US valuations appear increasingly stretched following the recent market rally that pushed the S&P 500 to record highs. Underlying fundamentals may be more challenged going forward as rising energy prices and yields begin to weigh on US consumer spending and housing. In addition, elevated volatility and crowded positioning particularly in tech and AI suggest a higher risk of near-term fluctuations in our view. Accordingly, we have moderated our 3-month tactical view on global equities to neutral.

- Within equities, we currently maintain a tactical preference for Emerging Markets (EM) and Asia over the US and Europe given more attractive relative valuations.

- We continue to maintain a neutral stance on US duration as near-term inflation risks appear skewed to the upside. We will continue to reassess this view depending on the developments around the US-Iran peace deal and reopening of the Strait of Hormuz, although we note that operational details are still pending at the point of writing.

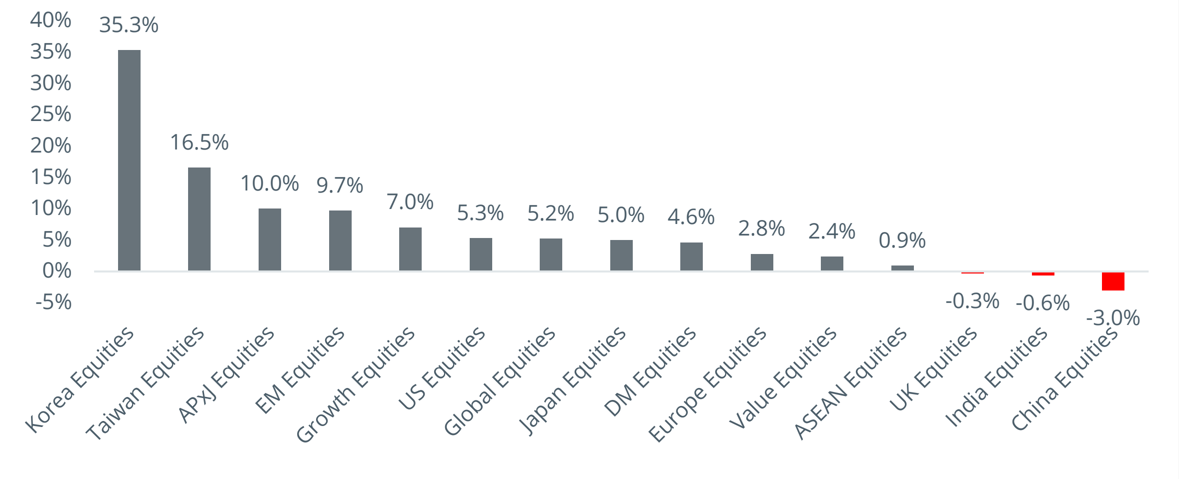
Top key risks to monitor	Likelihood	Magnitude of Market Impact
Two risks stand out. The Iran-US deal contains multiple conditionalities for both parties that create risks of future tension or breakdown. Asia's heavy reliance on AI-related export demand leaves it vulnerable if US AI infrastructure spending slows.	Medium	Medium
Monetary policy risk The energy price shock, alongside resilient growth, to shift the global monetary policy cycle from easing to tightening. The key risk now is that higher US inflation leads the Federal Reserve to tighten US monetary policy, challenging risk appetite and supporting the USD at the expense of EM currencies.	Medium	High
Geopolitical instability. We continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations.	Low	High

Please note that the information provided here is subject to change at Eastspring's discretion without prior notice.

Market Recap and Update

Global Equity Markets

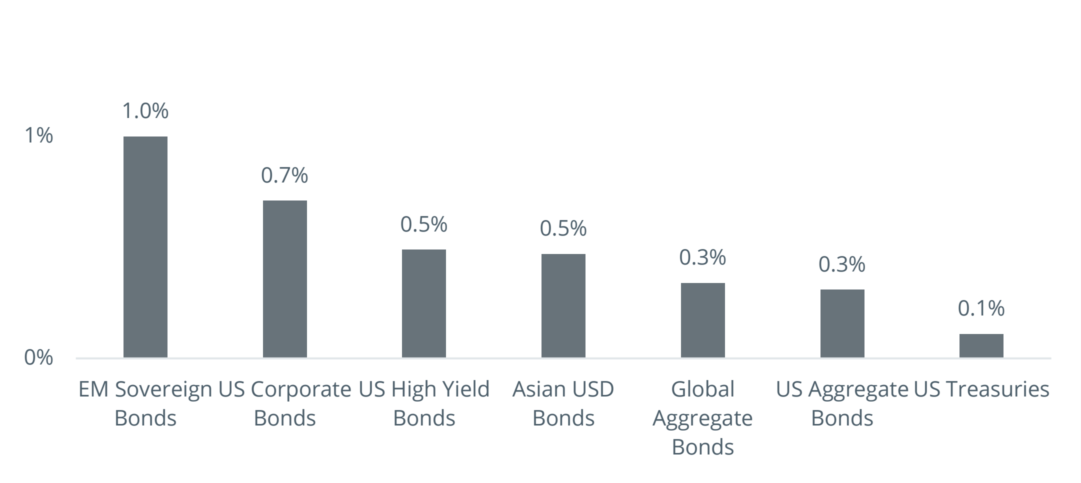
(Monthly gross returns as of 29 May 2026, in USD)



- Despite ongoing geopolitical uncertainty in the Middle East, global equities advanced in May, with the MSCI ACWI Index rising 5.2%, supported by resilient corporate earnings and continued investment momentum in artificial intelligence (AI). Easing energy concerns, amid expectations of a 60-day ceasefire and progress towards restoring shipping through the Strait of Hormuz, helped to moderate oil prices and sustain a risk-on environment. Market leadership remained concentrated in mega-cap technology and AI-related sectors, particularly software and semiconductors.
- US equities led developed markets, with the MSCI USA Index gaining 5.3%, driven by strong earnings and guidance from large-cap technology companies. The Federal Reserve (Fed) held rates at 3.50%–3.75%. The MSCI Europe Index rose 2.8%, supported by easing energy prices and steady performance in financials and industrials. Asian equities returned 10.0%, as measured by the MSCI AC Asia Pacific ex Japan Index, while broader emerging markets returned 9.7%, as measured by the MSCI EM Index. South Korea (+35.3%) and Taiwan (+16.5%) outperformed, supported by the AI narrative. In contrast, the MSCI China Index declined 3.0% amid weaker domestic demand.

Global Bond Markets

(Monthly gross returns as of 29 May 2026, in USD)



- During the month, US Treasury yields rose across the curve, with the 10-year yield increasing 5 basis points to 4.45% on the back of resilient economic data and firm inflation. Ongoing upward pressure from term premiums, fiscal concerns, and steady Treasury supply also contributed.
- Despite higher US Treasury yields, both the Bloomberg Global Aggregate Index (+0.3%) and the Bloomberg US Aggregate Index (+0.3%) posted modest gains on the back of resilient credit markets. US investment grade corporate bonds returned 0.7%, outperforming US high yield bonds at 0.5%, based on the ICE BofA U.S. Corporate and U.S. High Yield Constrained Indices, respectively.
- Emerging market sovereign debt, as represented by the J.P. Morgan EMBI Global Diversified Index, gained 1.0%, supported by high yield issuers. Asian USD-denominated bonds also performed positively, with the J.P. Morgan Asia Credit Index (JACI) returning 0.5%.

Data source: Eastspring Investments, LSEG Datastream and MSCI. **Equity Markets** - “Global” : MSCI ACWI, “DM” : MSCI World Index, “APxJ” : MSCI AC Asia Pacific ex Japan Index, “EM” : MSCI Emerging Markets Index’ “Value” and “Growth” : MSCI World Value Index and MSCI World Growth Index, respectively, and “China” : MSCI China Index. **Bond Markets -** "U.S. Corporate Bonds": ICE BofA U.S. Corporate Index, “EM Sovereign Bonds”: J.P. Morgan EMBI Global Diversified Index, “U.S. Treasuries” : Bloomberg U.S. Treasury Index, “Asian USD Bonds”: J.P. Morgan Asia Credit Index, "Global Aggregate Bonds": Bloomberg Global Aggregate Index, “U.S. Aggregate Bonds": Bloomberg U.S. Aggregate Index, and "U.S. High Yield Bonds": ICE BofA U.S. High Yield Constrained Index. Past performance of the indices is not indicative of future performance of the indices.

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